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TO RUEHC/SECSTATE WASHDC 2346
INFO RUEHRI/AMCONSUL RIO DE JANEIRO 6539
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SUBJECT: BRAZIL: Airport Administrator INFRAERO Meeting

¶1. (SBU) SUMMARY: In a meeting between Ambassador Sobel and the head of INFRAERO, Sergio Guadenzi, Guadenzi provided a brief overview of civil aviation administration in Brazil, discussed airport profitability and privatization proposals, reviewed cargo infrastructure, and noted a decision on Guarulhos airport parking fees should not be expected before November. Guadenzi will be in Boston September 21-24 for the world conference of airport administrators. END SUMMARY.

¶2. (SBU) Guadenzi reviewed that INFRAERO is responsible for airport infrastructure, including runways, aprons, cargo, and passenger and cargo loading/unloading. ANAC is the regulatory agency responsible for airline oversight and slot allocation. DECEA is responsible for air traffic control. The Secretary of Civil Aviation at the Ministry of Defense coordinates the work of these three agencies. Guadenzi mentioned that there is occasionally some internal discussion that perhaps INFRAERO should shift from Ministry of Defense to Ministry of Transportation, given its focus on transport infrastructure, but these discussions have resulted in nothing concrete.

¶3. (SBU) On airport privatization, Guadenzi indicated that there remains a great deal of intra-governmental disagreement on the best way to proceed. Some suggest creating a state-owned company to administer airports, but opening up 40 to 49 percent of shares to the private sector. Other parts of the government believe straightforward privatization is optimal. (NOTE: Brazil has about 120 total airports; INFRAERO runs 67 of these. Most of the non-INFRAERO airports are quite small. Some are administered by state governments, five or six operate under concession, and a few are (such as one in Bahia attached to a hotel) privately owned). Complicating privatization consideration, Guadenzi underlined, is the reality that, of the 67 airports INFRAERO administers in Brazil, only 12 to 15 are profitable. Brazil subsidizes operations at the loss airports with revenue from the ones that generate profit. INFRAERO does not want the profitable ones to find buyers while INFRAERO would have to continue to operate the money-losers. He referenced the public calls from the governor of Rio de Janeiro to privatize Rio's international airport, which is an unattractive option from the federal perspective.

¶4. (SBU) Guadenzi noted that BNDES is studying various privatization models for government consideration. He suspected BNDES's final recommendation would depend on Embraer's recommendation. (NOTE: In a separate meeting with BNDES, the bank indicated it had already forwarded preliminary studies six months ago to Ministry of Defense and had received no reaction/policy direction to date, impeding further BNDES progress on developing these proposals. END NOTE). INFRAERO has looked independently at airport administration in other countries, concluding there are four basic viable models - federal administration, state/county administration, state-owned company administration, and concessions. Guadenzi added GOB is unlikely to make any decision this year, or indeed have an internal proposal for consideration before the end of the year.

¶5. (SBU) Turning to the Guarulhos parking fees proposal, ANAC is still evaluating the best way to proceed and no decision is expected

before November. Guadenzi commented that Sao Paulo has a planning problem more than an infrastructure problem that needs to be addressed. Further complicating INFRAERO attempts to make infrastructure improvements, the Federal Accounting Court (TCU) just stopped work on four airports that had been approved by the PAC board. Using reference prices non-specific to runway specifications (eg, for cement), TCU declared contract prices too high and issued a work suspension. INFRAERO developed and sent TCU a month ago airport-specification reference prices (using US and EU price comparisons), but TCU has not approved yet. Meanwhile, work can not proceed.

¶6. (U) On cargo, Guadenzi noted the largest cargo terminals are Campinas, Guarulhos, and either Rio or Manuas. In response to the Ambassador's question, Guadenzi acknowledged that Brasilia has the space to take more cargo (with two runways, good equipment, and a light flight schedule 11 am to 5 pm and none at night), but the lack of business located in Brasilia leaves these resources fallow.

¶7. COMMENT: The Ambassador was interested in exploring expanding cargo operations in Brasilia further and suggested INFRAERO may want to reach out to companies such as DHL, Federal Express, UPS and others to discuss the potential for hub operations. Guadenzi noted ANAC, who assigns slots, would need to be part of any conversation. The meeting also confirmed that final proposals on airport parking fees and on possible airport privatization are not imminent. END COMMENT.

SOBEL